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PUBLIC UTILITIES
COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Application of)
)
PUBLIC UTILITIES COMMISSION)
)
Instituting a Proceeding to Investigate)
Competitive Bidding for New Generating)
Capacity in Hawaii.)

DOCKET NO. 03-0372

DIVISION OF CONSUMER ADVOCACY'S RESPONSES
TO HAWAIIAN ELECTRIC COMPANY, INC'S. AND
HAWAII RENEWABLE ENERGY ALLIANCE'S INFORMATION REQUESTS
TO THE CONSUMER ADVOCATE ON ITS FINAL STATEMENT OF POSITION

Pursuant to the Regulatory Schedule approved in Order No. 22090, the Division of Consumer Advocacy ("Consumer Advocate") files its **RESPONSES TO HAWAIIAN ELECTRIC COMPANY, INC'S AND HAWAII RENEWABLE ENERGY ALLIANCE'S INFORMATION REQUESTS TO THE CONSUMER ADVOCATE ON ITS FINAL STATEMENT OF POSITION** in the above docketed matter. The Consumer Advocate does not have any information requests for the other parties who filed Statements of Position.

DATED: Honolulu, Hawaii, November 22, 2005.

Respectfully submitted,

By Cheryl S. Kiputo
for JOHN E. COLE
Executive Director
DIVISION OF CONSUMER ADVOCACY

DOCKET NO. 03-0372

DIVISION OF CONSUMER ADVOCACY'S ("CA")

RESPONSES TO FINAL INFORMATION REQUESTS FILED BY HECO

HECO/CA-FIR-1 **Ref: CA Final SOP, pages 2-3.**

Please explain in detail the basis for the conclusion: "Thus, competitive bidding can be implemented with little, if any, additional regulatory processes".

RESPONSE: The basis for the Consumer Advocate's conclusion that competitive bidding can be implemented with little, if any, additional regulatory process is as indicated:

- (1) There is broad agreement among the parties that competitive bidding can bring important benefits to Hawaii; and
- (2) The Electric Utility Companies currently are fully capable of conducting competitive solicitations.

The Commission's IRP Framework establishes a basic planning process for the Electric Utility Companies that sets a foundation for resource procurement through the IRP Action Plan. Where new resources are required, competitive bidding establishes but one of several mechanisms by which resources can be procured. The Consumer Advocate has explained why further definition of competitive bidding processes risks imposing undue constraints on those processes (Consumer Advocate's Final SOP at 11-12).

The Electric Utility Companies have considerable experience with competitive bidding (i.e., considering prior RFPs for power supplies and the host of competitive bidding processes routinely used to procure other products and services). The HECO Companies have retained consultants with substantial experience throughout the country in competitive bidding issues. Therefore, it is the Consumer Advocate's position that a competent utility operating within the established regulatory context should be able to conduct Commission-required competitive bidding processes without undue exposure to cost-recovery risks or excessive "second guessing" by stakeholders.

As indicated, there is nothing in current regulation that prohibits a utility from pursuing solutions, using a competitive bidding process, to address identified needs in its system. In fact, it may be argued that a utility would be imprudent if it fails to act in this manner. The Consumer Advocate thus views established regulatory processes (i.e., including this docket) as sufficient to resolve issues that currently stand in the way of RFPs that can yield consumer benefits. No further regulatory process is necessary to implement competitive bidding.

HECO/CA-FIR-2

Ref: CA Final SOP, pages 2, 3 and 5.

The CA states on pages 2 and 3 that “competitive bidding can be implemented with little, if any, additional regulatory processes” and that “there is no reason to delay its implementation and the benefits that it offers consumers.” On page 5, the CA identifies five steps through which a competitive bidding system can be accomplished. Assuming the Commission follows the CA’s recommendations, such that there are no additional regulatory processes related to competitive bidding and that the Commission follows the CA’s five steps. Assuming further that HECO’s IRP-3 is filed with the Commission in October 2005.

- a. Does the CA believe that the regulatory proceeding for HECO IRP-3 would affect the timing with respect to when the utility can begin designing its proposed RFP, when the Commission can approve the utility’s proposed RFP, and when the utility can issue the Commission-approved RFP?

RESPONSE:

Yes, the HECO IRP-3 proceeding could affect the timing of an RFP.

The Consumer Advocate has recommended that competitive bidding processes be implemented as mechanisms to acquire resources identified as needed through IRP processes. As such, the timing of the various phases of the Commission’s review of HECO’s IRP-3 filing may affect the development and implementation of competitive bidding processes.

However, a primary consideration in scheduling the design, review, and issuance of an RFP would be HECO’s need for additional resources. An immediate, pressing requirement for resources needed to preserve system reliability would be cause for immediate action by a utility – such action may include an *ad hoc* RFP that is issued outside of the utility’s “normal” IRP schedule. In such instance, the schedule for an IRP proceeding would have little bearing on the scheduling of the *ad hoc* RFP.

To the extent possible, the Company should not deviate from the Commission approved five-year action plan. If it becomes necessary to deviate from the plan, however, the Company should notify the Commission of such need in its IRP annual update, or as soon as possible in emergency situations. In addition, the Company should be required to submit all documentation supporting its claim of a need to deviate from the Commission's approved five-year action plan. Finally, as a general matter, the Commission should approve such deviation. Also see the responses to HECO/CA-IR-56 and HECO/CA-FIR-3.b.

- b. If the CA's answer to part a is 'yes,' please provide the CA's estimates for:
 - 1) When the Commission would be able to approve the utility's proposed RFP (relative to the timing of the IRP proceeding) and

RESPONSE: The Consumer Advocate has no estimate of the time that it would take to complete these steps, as they would be driven by an Electric Utility Company's specific circumstances, its need, and the circumstances of its IRP filing. It is not possible to estimate the time required given the limited facts surrounding the circumstances under which the question is posed. It should be noted that when an RFP is reasonably addressed within the context of an IRP proceeding, the Consumer Advocate anticipates that the Commission would approve an Electric Utility Company's RFP

either in conjunction with, or some time after its approval of the utility's "Implementation" or "Action Plan." If there is cause to issue an *ad hoc* RFP outside of the "normal" IRP schedule, the Commission would address and approve the RFP as circumstances require. Note that it should be incumbent on an Electric Utility Company to notify the Commission of the need to issue an *ad hoc* RFP, and to seek appropriate approvals.

- 2) When the utility can issue the Commission-approved RFP (relative to the timing of the IRP proceeding).

RESPONSE: The Consumer Advocate has no estimate of the time that it would take to complete these steps, as they would be driven by an Electric Utility Company's specific circumstances, its need, and the circumstances of its IRP filing. It is not possible to estimate the time required given the limited facts surrounding the circumstances under which the question is posed.

It should be noted that where the Commission has approved an Electric Utility Company's RFP in conjunction with, or some time after, the utility's IRP Action Plan, the utility should issue its Commission-approved RFP when it is appropriate to do so (i.e., given due consideration of any factors that prudently should be considered in making such determination). As a general matter, RFPs addressing relatively near-term needs would be expected to

be implemented more expeditiously than an RFP seeking long-term resources.

HECO/CA-FIR-3

Ref: CA Final SOP, pages 2, 3 and 5.

The CA recommends immediate implementation of a competitive bidding system. Assuming the Commission follows the CA's recommendations and implements a competitive bidding system immediately:

- a. What is the CA's position on what should be done on any proposals for capacity and/or energy which HECO, HELCO and MECO may already have in hand at the time a competitive bidding system is implemented?

RESPONSE:

Each approved IRP (and the associated "Implementation" or "Action" Plan) should establish the broad parameters by which an Electric Utility Company will procure resources. As a general matter, if the Commission implements a competitive bidding system immediately, the Consumer Advocate expects that competitive bidding would be the presumed mechanism for procuring resources. The Consumer Advocate contends that the utilities have been made aware that competitive bidding may be the mechanism under which resources are to be procured, and should have taken this potential into consideration during the negotiations with independent power producers. Furthermore, should a party to the negotiation contend that the implementation of a competitive bidding process for resources unfairly harms the party (e.g., because it is put to a competitive test), such party may bring the matter for resolution before the Commission.

Having said that, on occasion under unusual, unexpected circumstances a utility may need to deviate from an approved Action Plan. The Consumer Advocate anticipates that from time to

time circumstances will arise in which resource procurements should occur before the utility's next IRP cycle can run its course. Such may be the case if an unanticipated need dictates that a utility must act in the near-term to acquire capacity to mitigate a reliability problem. Alternately, the utility might encounter an opportunity to acquire a resource that offers benefits to consumers. As explained in the Consumer Advocate's Initial SOP at 53, procurements outside of an approved Action Plan should go forward if a utility can demonstrate that the procurement will (1) yield substantial benefits relative to alternate resource options and (2) cannot be delayed to the next IRP cycle.

Any resource proposals that the Electric Utility Companies have "in hand" may warrant treatment outside of an IRP cycle (the Consumer Advocate anticipates that HECO's IRP-3 may require revision once the utility's true resource needs are explored more fully, and thus may accommodate a different set of resource proposals). Where "in hand" proposals are tested against, or are the results of a competition among market alternatives through RFP processes, it likely will be easier for the utility to demonstrate consumer benefits relative to other potential options.

- b. What is the CA's position as to whether or not HECO, HELCO or MECO should be allowed to proceed with issuing an RFP for resources if their major IRP filings or their Preferred Plans have not been approved by the Commission?

RESPONSE: If an RFP is intended to resolve some pressing resource need related to system reliability (or perhaps to test the merits of an attractive third-party offer), the RFP should be issued as soon as is reasonably possible after the Commission has reviewed the proposed RFP. If there is no pressing resource need, the procurement of incremental resources should be addressed in the Electric Utility Company's next IRP filing. Please see also the response to HECO/CA FIR-2, above.

The bottom line is that an Electric Utility Company must take prudent action that is consistent with its service obligations. In this sense, the utility must be "allowed" to act, whenever necessary. The Consumer Advocate recommends that, to the extent that a utility determines the need to operate outside of the above context (i.e., without a Commission-approved RFP), it would do so at its own risk. In such case, it should be expected to demonstrate that costs that result from actions taken of its own initiative were prudently incurred.

HECO/CA-FIR-4

Ref: CA Final SOP, page 5.

Page 5 lists “five straightforward steps” to be done to put in place a competitive bidding system.

- a. For each of the five steps, please provide the time the CA estimates it will take to complete.

RESPONSE:

The Consumer Advocate has no estimate of the time that it would take to complete these steps, as they would be driven by an Electric Utility Company’s specific circumstances, its need, and the circumstances of its IRP filing. As suggested in the response to HECO/CA FIR-2, swift action may be required to resolve a pressing resource need – in which case the utility could seek to develop and issue its RFP within a matter of weeks. Ideally, the selection process and contract finalization would occur within several months of bid issuance. RFPs for more distant needs would be addressed as an integral part of an IRP proceeding; thus its development and implementation may occur under a more extended schedule. In its Initial SOP at 35, the Consumer Advocate stated that “Competitive bidding through RFPs can take time to implement and, while one cannot generalize very precisely, the time is months rather than weeks.”

- b. The fifth step listed is “[t]he utility issues its Commission-approved RFP.” How long does the Consumer Advocate estimate it will take to go from this fifth step to having a winning bidder’s project placed in service. As part of the response, please provide the Consumer Advocate’s estimate of the time it will take to complete the following milestones:
- 1) Issuance of a decision and order in this docket;

RESPONSE: The Consumer Advocate does not have an estimate of when the Commission will issue its Decision and Order in this docket. The Consumer Advocate would encourage the Commission to act swiftly on its recommendations to hasten the delivery of benefits to Hawaii.

- 2) Receive responses to the Commission-approved RFP;

RESPONSE: The Consumer Advocate does not have an estimate of the time required to complete this step as the time interval would be highly dependent on the nature of the Electric Utility Company’s need and the nature of the RFP being conducted.

- 3) Evaluate and decide on the project to be pursued (i.e., determine the winning bidder);

RESPONSE: The time required to complete this step would be highly dependent on the nature of the Electric Utility Company’s need and the nature of the RFP being conducted.

4) Negotiate the contract;

RESPONSE: The time required to complete this step would be highly dependent on the nature of the Electric Utility Company's need and the nature of the RFP being conducted.

5) Obtain Commission approval of the contract; and

RESPONSE: The time required to complete this step would be highly dependent on the nature of the Electric Utility Company's need, the nature of the RFP being conducted, and the Commission's docket schedule. The Commission might act within a matter of days in relation to an RFP-derived contract to address a pressing reliability need. By contrast, the Commission may be able to adopt a more extended review schedule for substantial new resource additions (e.g., baseload generating units) that would address more distant needs.

6) Winning bidder placing the project in service (as part of this response, please provide the estimated time to obtain control of the site of the project and the necessary permitting approvals).

RESPONSE: The time required to complete this step would be highly dependent on the nature the winning bidders' project, as well as of the Electric Utility Company's need, the utility's specific circumstances (e.g., whether the utility would make an existing site available to bidders), the nature of the RFP being conducted, and potentially

other factors related to permitting processes in Hawaii. For example, sites for demand-side resources might be “obtained” more quickly than sites for baseload generating facilities.

- c. Please provide the basis for each of the responses to subpart “b”. Also, please indicate if the Consumer Advocate’s time estimate includes any additional time to address contingencies (e.g., challenges to the process by other bidders, delays in obtaining permitting approvals, etc.).

RESPONSE: The basis for each response is provided with each of the above responses. A range of “contingencies” could affect the time required to achieve various developmental milestones. The time required to address a given contingency will be highly dependent on the nature of the contingency encountered. We note that planning to mitigate contingency risks should be part of resource planning processes generally – it is not unique to competitive bidding.

HECO/CA-FIR-5

Ref: CA Final SOP, pages 8 & 41 – 42.

Page 8 of the Consumer Advocate's Final Statement of Position states that the IRP Action Plan should establish the parameters of the RFP. Page 41 then states that "head to head" competition between DSM and supply-side solutions to any resource need often is desirable – even if the demand-side measures ultimately can address only a portion of a utility's total incremental need.

- a. Is it the CA's position that, upon inspection of the RFP responses, the utility could proceed to implement substantially more DSM than described in the IRP Action Plan, if "head to head" competition between demand and supply-side resources favored DSM? Please explain your response.

RESPONSE:

The Consumer Advocate recommends that each Electric Utility Company take reasonable steps to allow demand-side resources to compete to fill identified resource needs. If "upon inspection of the RFP responses" it is reasonable to conclude that the utility and its ratepayers would be well-served by the addition of more demand-side resources than had been anticipated, the utility should seek to "implement more DSM." The feasibility of such action would, however, depend on a range of factors. These might include whether the approved Action Plan would permit such increase in demand-side resources, whether such action would conflict with the terms of the RFP(s) as issued, etc.

- b. Is it the CA's position that, upon inspection of the RFP responses, the utility could proceed to implement substantially more supply-side than described in the IRP Action Plan, if "head to head" competition between demand and supply-side resources favored supply-side resources? Please explain your response.

RESPONSE: Yes, if such action can be shown to be beneficial to an Electric Utility Company and its ratepayers, and subject to a range of factors as explained in the response to Part a, above. The utility should also notify the Commission of its plan to deviate from the Commission approved action plan and provide the Commission with the analysis demonstrating the benefits of such deviation. The Commission should have the opportunity to deny the utility's proposal if the Commission determines that the analysis is flawed and unsupportive of the proposed deviation from the Commission-approved action plan. (Also see the responses to HECO/CA-FIR-2.a. above and HECO/CA-IR-56.)

- c. Should the IRP Action Plan contain an "indefinite" level of DSM and supply-side resources, to allow for flexibility in evaluating all-source RFP responses?

RESPONSE: As an initial matter, the Consumer Advocate emphasizes that an Electric Utility Company should develop an IRP Action Plan that is the best set of resources given the utility's specific circumstances and identified resource needs. However, departures from an approved Action Plan may be necessary under unusual, unexpected circumstances in response to new information or

changing circumstances (e.g., changing resource needs). Such new information may include information received during implementation of the Action Plan. To the extent possible, as a general matter, technological advances for new resources would not be considered as changing circumstances thus should be considered in developing the next IRP filing and five-year action plan.

The response to the question would depend on the utility's specific circumstances and resource need, the design of the RFP, and a range of other factors. The Consumer Advocate anticipates that each Electric Utility Company will (by virtue of its experience with demand-side programs in its service territory) have an estimate of the quantity of incremental demand-side resources that reasonably might be added to its resource base under a given set of circumstances. In this context, allowing for an indefinite level of demand-side resources may not be necessary.

- d. In the example given, where the RFP response can address only a portion of a utility's total incremental need, please explain the mechanism that the utility should use to fulfill the unmet need. For example, should the unmet increment now be issued as a second RFP?

RESPONSE: The response to this question would depend on the Electric Utility Company's specific circumstances and resource need, and a range of other factors. The Consumer Advocate recommends against a

“rigid” structure for resolving such matters. Where the results of an RFP indicate that some unanticipated approach would better serve a utility and its ratepayers, reasonable steps should be taken to implement that new approach. With respect to the example provided, a “second RFP” may or may not be justified, depending on circumstances. For instance, a second RFP may be feasible if all near-term resource needs are resolved through the initial response (leaving long-term needs unresolved). If not, some alternate strategy to preserve system reliability may be required.

HECO/CA-FIR-6

Ref: CA Final SOP, pages 10-11.

To support its position that competitive bidding can be implemented without an additional regulatory proceeding, the CA pointed out that "KIUC states that it intends to use a competitive bidding process for its next generation addition, and that it will follow the 'proven' process that was used in 1995 to secure its 26.4 megawatt generating facility (see KIUC's Statement of Position at 3, 6). The HECO Companies also use competitive bidding today. They indicate that it is in use for the procurement of equipment and services as a cost management measure (HECO Companies' Initial SOP, Exhibit A at 14. They indicate that they recently issued an RFP for generating supplies (see HECO Companies response to PUC-IR-15, at 6). As noted in the Consumer Advocate's Initial Statement of Position at 16, the HECO Companies' affiliate Renewable Hawaii, Inc. recently issued an RFP soliciting competitive proposals from developers of renewable power projects."

- a. Did KIUC submit its own bid to compete with non-utility bids in response to the 1995 RFP?

RESPONSE: The Consumer Advocate is not aware that KIUC bid in any 1995 RFP.

- b. If the answer to part a is 'yes,' did KIUC both bid and evaluate the proposals?

RESPONSE: Not applicable.

- c. If the answer to part b is 'yes,' what role did the Commission play in ensuring fair process?

RESPONSE: Not applicable.

- d. Does the CA see any difference between the competitive bidding process for the procurement of equipment and services and that for the acquisition of long-term commitments for capacity and energy through power purchase agreements?

RESPONSE: Yes.

- e. If the answer to part d is 'yes,' please identify the differences.

RESPONSE: There are many differences between competitive bidding for the procurement of equipment and services and competitive bidding for the acquisition of long-term commitments for capacity and energy. Among the more significant potential differences are the nature of the product/service being procured and the terms of the RFP by which such products/services might be solicited.

- f. Does the CA acknowledge that the HECO Companies did not submit its own bids in its solicitation for procurement of equipment, services, and generating supplies (which include such items as turbines, generators, boilers, pumps, breakers and transformers)?

RESPONSE: The Consumer Advocate is not aware of the HECO Companies actions relative to bidding in its own solicitations for procurement of equipment, services, and generating supplies (which include such items as turbines, generators, boilers, pumps, breakers and transformers). The Consumer Advocate would observe that, where an Electric Utility Company does not participate in its own solicitation process, many challenging issues (e.g., self-dealing

concerns) are diminished. Accordingly, the Consumer Advocate would see benefits if host utilities choose to minimize their participation in their own solicitation processes – except for circumstances in where there is some risk that an important need might go unserved by the market.

- g. Does the CA acknowledge that neither HECO nor Renewable Hawaii Inc. (“RHI”) submitted proposals in response to RHI’s RFP?

RESPONSE: The Consumer Advocate is not aware of HECO’s or RHI’s actions relative to bidding in RHI’s RFP.

HECO/CA-FIR-7

Ref: CA Final SOP, pages 10-11.

The CA states that there are three “primary reasons” why an additional regulatory proceeding is not necessary before competitive bidding can be implemented and goes on to list the three primary reasons. With respect to the first reason listed on pages 10 through 11, please describe the CA’s understanding of the competitive bidding process the HECO Companies use today (e.g., specific details as to how the competitive bidding process is conducted, the type of equipment and services that are the subject of the competitive bidding process, the length of time the process takes, etc.) and the basis for the CA’s understanding.

RESPONSE:

The Consumer Advocate’s understanding of the competitive procurement practices that the HECO Companies routinely use today are consistent, in general terms, with the description provided in the HECO Companies’ Final Statement of Position at 7 (perhaps with no regulatory approval required). The Consumer Advocate assumes that the “specific details as to how the competitive bidding process is conducted, the type of equipment and services that are the subject of the competitive bidding process, the length of time the process takes, etc.” are highly situation-specific.

The HECO Companies’ experience in competitive bidding has not been reviewed in detail by the Consumer Advocate. Where bidding for power supplies is concerned, the Consumer Advocate would direct the HECO Companies to the HECO 1987 RFP that resulted in the two power purchase agreements for firm capacity (HECO Companies’ Final SOP at 13-14) for “specific details” of how competitive bidding has been done in one prior instance.

HECO/CA-FIR-8

Ref: CA Final SOP, page 14.

The CA states that it has fashioned its guidelines after the “major competitive bidding guidelines” adopted by the Oregon Public Utility Commission in Order No. 91-1383 (1991).

Is the CA aware that the development of the “guidelines” was initiated on May 30, 1989, when the Commission ordered an informal staff investigation into competitive bidding and culminated in a Commission Order on October 18, 1991?

RESPONSE:

The Consumer Advocate is not aware of when the Oregon Public Utility Commission first considered the merits of competitive bidding processes in that state. The Oregon Commission’s October 18, 1991 order in the docket cited above indicates that the Commission “ordered an informal staff investigation” at its May 30, 1989 public meeting (127 PUR 4th 310).

The Consumer Advocate is aware that the Oklahoma Corporation Commission issued a Notice of Proposed Rulemaking with proposed competitive bidding rules in August of this year. Comments on those rules were due on November 17, 2005, and the hearing is scheduled for early December of this year.

HECO/CA-FIR-9

Ref: CA Final SOP, page 18.

The CA states that the Commission should view “best practices” in the same way that it views “good engineering practice” or “generally accepted accounting principles”.

- a. Is the definition of “best practices” capable of being defined differently by the different entities involved in a competitive bidding process (e.g., utility, independent power producer, CA, etc.)?

RESPONSE:

Yes. Different entities may have different views on what constitutes the best approach to some aspect of the design or implementation of a given solicitation process. However, it is apparent from the materials filed by the HECO Companies and the Consumer Advocate that the substantial body of experience in competitive bidding exhibits many similarities in approaches from state to state. Thus, the ability to reach consensus on a sound approach to RFP should not be a major obstacle. In most instances, the parties involved have a vested interest in finding reasonable approaches that will enable solicitation processes to proceed in reasonable timeframes.

- b. Would “generally accepted accounting principles” be subject to the same level of interpretation as “best practices” for competitive bidding or would they be standard principles. Please fully explain your response.

RESPONSE:

The Consumer Advocate understands that some aspects of RFP design and implementation have become quite routine, and thus would not be subject to much “interpretation,” if any. The practice of clearly stating the time and place for delivery of proposals likely

represents an example of an RFP design practice where little controversy is likely to arise. Certainly there are many aspects of accounting practice that are, likewise, quite straightforward.

There are also RFP design and implementation practices where different parties might recommend different approaches. The question of whether an independent evaluator is required for a given RFP might represent one such example. Similarly, some areas of accounting practice may become controversial. The Consumer Advocate is aware that confusion or controversy can develop with respect to some accounting practices, to the extent that occasionally the Financial Accounting Standards Board ("FASB") issues clarifications through formal "Interpretations."

Finally, the Consumer Advocate acknowledges that the body of information on how best to design and implement competitive bidding processes is not accumulated and published by an authoritative source, as is the case with FASB's accounting standards. Rather, this information resides primarily with those who have developed expertise in implementing competitive bidding across the quarter century since PURPA was enacted.

HECO/CA-FIR-10 **Ref: CA Final SOP, page 18.**

The CA states "the Consumer Advocate ultimately suggests that the Electric Utility Companies use 'good solicitation practices' in the design and implementation of their RFP processes. Perfection is not the goal. Rather the expectation is that reasonable efforts be made to identify and implement practices that will be effective in serving the interests of the utility and its ratepayers. Where two good approaches to a given problem are identified, the Consumer Advocate would recommend that the utility be granted a measure of discretion in selecting the one that it judges to be best suited to the task."

a. Please define what the Consumer Advocate means by the term "good solicitation practices".

RESPONSE: The term "good solicitation practices" is offered as an alternate view of what the Consumer Advocate means by the term "best practices," as would apply to competitive bidding. This alternative view is offered because the Consumer Advocate seeks to minimize a potential debate that may be more of semantics than substance, and to allay any concerns that it may be seeking a standard of perfection in advancing "best practices."

In short, there is a substantial body of experience available from which lessons can be taken that can lead relatively quickly to a good RFP design for most competitive procurement situations that may be relevant in Hawaii, based on successful experiences of others in similar situations. The initial filings of HECO and the Consumer Advocate have well documented that body of experience. It is incumbent upon the utilities to propose an approach to conducting a solicitation that is sound and there is a body of experience and consulting expertise that is readily available

to the utilities to offer designs that are based on proven experience of others for the Commission, the Consumer Advocate and others to review and approve. While “best practices” or “good solicitation practices” are not precise science, it is not an abstraction. To the extent that the utilities truly do not know how to do competitive procurement, they should seek the counsel of those that have that experience before proceeding.

- b. Please provide multiple examples from competitive bidding processes used by other utilities that the Consumer Advocate deems to be “good solicitation practices”. Please provide copies of the competitive bidding rules and/or guidelines of the utilities referred to by the Consumer Advocate as examples.

RESPONSE: The Consumer Advocate has not conducted a survey of competitive bidding processes used by other utilities to assess whether and to what degree the solicitation design and implementation practices would be appropriate to an unspecified set of circumstances.

- c. Please define what the Consumer Advocate means by “reasonable efforts be made to identify and implement practices that will be effective in serving the interests of the utility and its ratepayers”.

RESPONSE: The Consumer Advocate recommends against a rigorous definition of “reasonable efforts.” An Electric Utility Company should take steps to design and implement competitive solicitations that are

appropriate to its specific circumstances and its resource needs, given information that is reasonably available in the industry. The Consumer Advocate anticipates that, as a matter of practice, before initiating RFP design processes a utility would systematically research solicitation processes known to have been issued by utilities addressing similar needs. Direct interviews of responsible personnel from other utilities would be an essential means by which to obtain important information. Interview of consultants directly (or otherwise) involved in such solicitations likely would be another. Trade publications would represent yet another. This is not intended to be an exhaustive list, but rather a few examples of the “reasonable efforts” a utility might undertake to ensure that a given RFP process is well designed and implemented.

As is discussed in the response to Part a, above, there is a substantial body of experience available on the successful competitive bidding experiences of others. Both the Electric Utility Companies and Commission have considerable experience in application of the “reasonableness” standard in various proceedings before the Commission. The Consumer Advocate anticipates that this standard would apply here, too.

- d. Please provide multiple examples from competitive bidding processes used by other utilities where the Consumer Advocate has determined that the utilities have made “reasonable efforts . . . to identify and implement practices that will be effective in serving the interests of the utility and its ratepayers”. Please provide copies of the competitive bidding rules and/or guidelines of the utilities referred to by the Consumer Advocate as examples.

RESPONSE: The Consumer Advocate has not conducted a survey of competitive bidding processes used by other utilities to determine whether reasonable efforts were made to identify and implement best practices. In general, the Consumer Advocate would let the results speak for themselves. That is, to the extent that a utility has designed an RFP that is fully consistent with best practices, it likely is reasonable to assume that the utility “made reasonable efforts . . . to identify and implement practices that will be effective in serving the interests of the utility and its ratepayers.” As is suggested in the response to Part c, above, where a utility is known to have designed and issued an RFP that was successful in procuring resources of a type needed by an Electric Utility Company, the later would be well-served to consult the former.

HECO/CA-FIR-11 **Ref: CA Final SOP, pages 17-24, Appendix F2.**

In the above-referenced portions of the Consumer Advocate's Final Statement of Position, the Consumer Advocate refers to "best practices" in the design and implementation of competitive bidding processes.

- a. Please provide the name of each utility that uses the Consumer Advocate's proposed "best practices" approach in their competitive bidding processes.

RESPONSE: The Consumer Advocate has not conducted a survey of each utility (or each state public utility commission) that explicitly uses the Consumer Advocate's proposed "best practices" approach in its competitive bidding processes. However, the Consumer Advocate assumes, based on its definition of "best practices," that most utilities act (and most state PUCs expect their utilities to act) in a prudent manner relative to the design and implementation of competitive bidding processes. Thus, it is reasonable to conclude that most routinely employ "best practices" (i.e., as distinct from "mediocre" or "worst" practices).

- b. For each utility named, please provide a copy of each utility's guidelines and/or rules for competitive bidding.

RESPONSE: Please see the response to Part a, above.

- c. How will the utility be assured that the "best practices" it has identified will be acceptable to the Commission? Is it the Consumer Advocate's position that the "best practices" be submitted to the Commission for approval prior to solicitation? Please fully explain the responses.

RESPONSE: As a general matter, an Electric Utility Company should submit its proposed RFP design and supporting documentation (including any evidence that the approach has been successfully employed in similar situations before) to the Commission for review and approval (see, e.g., Consumer Advocate Initial SOP at 48-49). Presumably, the Commission would issue an order identifying specific deficiencies if the filing is not acceptable. These deficiencies may include areas where best practices were not observed.

- d. For each utility identified in subpart "a", please provide a copy of the most recent utility submission to the public utility commission that was the utility's effort to demonstrate that the utility satisfied the "best practices" requirement.

RESPONSE: Please see the response to Part a, above.

HECO/CA-FIR-12 **Ref: CA Final SOP, page 26, footnote 12.**

Please provide specific examples (including the name of the utilities and dates of the process) of evaluation processes that have been conducted where representatives of bidders (or their agents) have been allowed to observe the process in which bids were selected, having first signed confidentiality agreements.

RESPONSE: Footnote 12 in the Consumer Advocate's Final SOP contains an inadvertent error. The first sentence of the footnote properly should state as follows: Evaluation processes have been authorized by which representatives of stakeholder groups, who are not bidders (or their agents), would be allowed to observe the process in which bids are selected, having first signed agreements prohibiting them from divulging confidential information.

HECO/CA-FIR-13 **Ref: CA Final SOP, pages 29, 30 and 33.**

The CA states that “[w]here the utility does not seek to advance its project (i.e., over those of other developers), the utility...[m]ust develop a “backstop” proposal to a degree consistent with prudent planning, such that the utility is able to respond in a reasonable timeframe if the competitive bidding process unexpectedly fails to produce a viable project proposal.” On page 33, the CA cites examples of when competitive bidding processes may fail to yield viable projects.

- a. How long should the utility incur costs and continue with its backstop proposal before it can conclude that the non-utility project will be successfully accomplished?

RESPONSE: The response to this question will depend on the specific circumstances of the utility and the various resource options (e.g., the non-utility project, other bid projects, and the backstop proposal) that are before it. Reasoned judgment would be required to determine a prudent course of action in each instance.

As a general matter, determining when to terminate the development of a backstop proposal requires at least a conceptual weighing of: (1) the costs of continuing with the backstop (say, through to the next milestone or other decision point) against (2) the costs that would be incurred if non-utility project fails (which may, for example, be estimated as a function of the probability that project failure might lead to an outage that might impose some to-be-determined level of costs on the utility and its customers). When reasoned judgment dictates that the costs of continuing with the backstop will exceed the costs of non-utility project failure, the backstop should be terminated.

- b. Does the CA agree that the utility should be allowed to recover all of its prudently incurred costs to prepare and implement with its backstop proposal until such time that it is stopped? If not, why not?

RESPONSE: The Consumer Advocate recommends that the Commission's established ratemaking principles should apply to costs incurred in the preparation and implementation of a backstop proposal. Without knowing the facts and circumstances under which the costs were incurred, It is not possible to provide a response that applies to all situations. It is incumbent on each utility to support the reasonableness of the costs for which the utility seeks recovery from its ratepayers, consistent with established ratemaking principles.

HECO/CA-FIR-14 **Ref: CA Final SOP, page 34.**

The CA states that the utility should only be allowed to prepare one proposal.

- a. Is the CA's position based on a single proposal "winning the bid"?

RESPONSE: The Consumer Advocate's position is based on a view that an Electric Utility Company should seek to identify and advance its best response to an identified need. To do otherwise would present several risks, including: (1) ratepayers might find themselves supporting the costs of a "second-best" utility proposal; and (2) the opportunities for the utility to "game" the results of the RFP increase.

- b. What happens if there is a smaller project than the amount requested that is the best bid but no other bids can "fill in" the remaining requirements?

RESPONSE: The response to this question will depend on the specific circumstances of the Electric Utility Company and the various resource options (e.g., the non-utility project, other bid projects, and the backstop proposal) that are before it. The utility should take prudent action to ensure that any identified need is met in full.

1. Should the utility then offer a smaller “backstop” project to fill the remaining resource requirements or should the best bid be eliminated and a “sub-optimal” project win the bid.

RESPONSE: As a general matter, reconfiguring a backstop project can be problematic for the reasons listed in the response to Part a, above, and thus should be avoided. However, the Consumer Advocate would not rule out such a reconfiguration in all instances.

HECO/CA-FIR-15 **Ref: CA Final SOP, pages 37-38.**

The Consumer Advocate stated “Moreover, the Consumer Advocate recommends that, whether the utility participates directly, or indirectly in its solicitation, the utility’s proposal should be held to the same ‘price’ and ‘non-price’ contract terms as would apply to all bidders. As with price bids, to allow utilities flexibility not afforded to other participants in RFP processes would be to grant the utility an implicit advantage.” Is it the Consumer Advocate’s position, that in a competitive bidding process where the utility is participating as a bidder in its own solicitation process, implementation of “best practices” will result in a contract with terms and conditions that are not subject to negotiation (provided the utility was held to the same non-negotiable terms and conditions)? Please fully explain your response.

RESPONSE: “Best practices” may allow negotiation with non-utility bidders in order to optimize a proposal to the benefit of the Electric Utility Company and its ratepayers, while precluding such negotiation in the case of a utility (or utility affiliate) proposal, for reasons indicated. The Consumer Advocate does not recommend this as a rigid rule, but rather as the standard practice. The actual approach to negotiations in each solicitation process should result from careful consideration of the utility’s specific circumstances and needs.

HECO/CA-FIR-16 **Ref: CA Final SOP, page 41.**

Please explain the process recommended by the CA for procuring supply-side and DSM resources in the same RFP.

- a. Please describe the methodology in detail by which supply-side and DSM resources will be evaluated.

RESPONSE: The Consumer Advocate is not recommending a methodology for evaluating supply- and demand-side resources. RFP evaluation processes should be developed giving full consideration to an Electric Utility Company's specific circumstances and resource needs. Thus, evaluation processes will differ from utility to utility, and from solicitation to solicitation.

- b. Should the evaluation or scoring criteria be the same or different?

RESPONSE: Please see the response to Part a, above.

- c. Is the CA aware that the Executive Summary to the Oregon bidding guidelines on which the CA fashions its guidelines (see page 14) states that "Conservation has unique evaluation criteria which require that demand-side and supply-side bid solicitations be conducted separately"?

RESPONSE: Yes.

HECO/CA-FIR-17 **Ref: CA Final SOP, page 44.**

The Consumer Advocate stated that “[t]hus, the Consumer Advocate recommends that competitive solicitations accommodate a broad range of resource options, unless clear reasons for doing otherwise are presented.”

a. Please fully explain what the Consumer Advocate means by the term “clear reasons”.

RESPONSE: Where an Electric Utility Company determines to restrict the range of resources to be considered in an RFP, it should be expected to be able to clearly state an appropriate rationale for such action.

b. Please provide factual circumstances that would constitute “clear reasons for doing otherwise”. Please fully explain the response.

RESPONSE: The response to this question would depend on an Electric Utility Company’s specific circumstances and resource needs. By way of example, a utility that requires VAR support may determine that it is necessary to restrict a competitive solicitation to generating facilities and other resources that can provide VARs.

c. Please provide factual circumstances that would not constitute “clear reasons for doing otherwise”. Please fully explain the response.

RESPONSE: Please see the response to Part b, above. There undoubtedly are a myriad of factual circumstance, that would not justify a restricted solicitation.

HECO/CA-FIR-18

Ref: CA Final SOP, pages 44-45.

Pages 44 through 45 of the Consumer Advocate's Final Statement of Position discusses avoided costs.

- a. Please describe how the Consumer Advocate proposes to include the additional balance sheet restructuring costs incurred as a result of the debt or debt-like features of long-term purchase power agreements in avoided costs.

RESPONSE:

The Consumer Advocate has not developed a detailed recommendation regarding how avoided costs should be calculated. As a very general matter, the Consumer Advocate suggests that: (1) where costs can be avoided if a utility's self-build option is avoided by implementing a third-party resource, those costs should be included in avoided costs; and (2) all incremental costs that would be incurred if a third-party resource is selected should be explicit in bid evaluation criteria. If a third-party resource option is prudently selected – e.g., it represents the least cost option, after consideration of all relevant costs – the utility's ratepayers would be responsible for supporting those costs.

- b. If the balance sheet restructuring costs are not proposed to be addressed in the avoided cost calculation, who does the Consumer Advocate propose should pay for the additional balance sheet restructuring costs? Please fully explain the response.

RESPONSE:

Please see the response to Part a, above.

- c. Please describe how the Consumer Advocate proposes to address additional transmission costs incurred as a result of new generation obtained through the competitive bidding process in the avoided cost calculation. Please fully explain the response.

RESPONSE: Please see the response to Part a, above.

- d. If the transmission costs are not proposed to be addressed in the avoided cost calculation, who does the Consumer Advocate propose should pay for the additional transmission costs? Please fully explain the response.

RESPONSE: Please see the response to Part a, above. (See also the response to HECO/CA IR-50(a).)

HECO/CA-FIR-19 **CA Final SOP.**

The CA's position is that HECO could easily develop and implement an effective competitive bidding process.

- a. How long would the CA expect that a competitive bidding process, including the development of the RFP, model contracts and other information take to issue? Please provide the CA's estimated time to complete each of these stages.

RESPONSE: The response to this question depends on HECO's specific circumstances and its resource need. The Consumer Advocate expects that HECO could have completed months ago a competitive bidding process to address the "reserve capacity deficiency" identified in its 2004 and 2005 Adequacy of Supply reports.

- b. Would the CA expect input or comments from other interested parties into the development of an RFP?

RESPONSE: As a routine matter, the Consumer Advocate recommends that interested parties should have opportunity to comment on a proposed RFP during the course of an Electric Utility Company's IRP proceeding (e.g., during collaborative discussions and otherwise) and if the Commission determines that comments from interested parties are appropriate in its review of a proposed RFP. Where a utility is responding to a resource emergency, the opportunity for comment necessarily may be diminished.

c. How long would the Commission have to approve the RFP?

RESPONSE: The response to this question would depend on the Commission's circumstances, and on the Electric Utility Company's specific circumstances and its resource need. As a general matter, the Consumer Advocate recommends that the Commission address proposed RFPs with all due haste, while not compromising the Commission's review of such filing.

d. Please identify the specific tasks required of the utility to prepare and implement an effective competitive bidding process? For each specific task identified, please provide the CA's estimated time to complete each task.

RESPONSE: The response to this question depends on the Electric Utility Company's specific circumstances and its resource need, among other things. A basic description of basic tasks required to implement an effective competitive bidding process are described on page 18 of Appendix I of the HECO Companies' Final SOP.

HECO/CA-FIR-20 **CA Final SOP.**

Over the past few years, several states have either drafted bidding rules or guidelines or are in the process of revising rules or guidelines. Utilities in the following states have issued or are proposing to issue RFPs for power supply resources under such rules or guidelines:

- Oregon (Order No. 91-1383 and OPUC Docket No. UM 1182)
- Florida (Order No. PSC-03-0653-FOF-EQ)
- Louisiana (Docket No. R-26172 Sub Docket A)
- Utah (S.B. 198)
- Arizona (Docket No. E-01933A-02-0069; Decision No. 65743)
- Georgia (Docket No. 19225-U)
- Oklahoma (CAUSE RM NO. 200500011; Proposed Rules)
- Washington

- a. For each of these states, please state whether it is the CA's position that:
 - 1. There are formal bidding rules in place in the state under which the competitive bidding process is undertaken.

RESPONSE: The Consumer Advocate's Final SOP does not discuss competitive bidding "rules" and "guidelines" that have been established by public utility commissions in other states, but for the guidelines that have been adopted by the Oregon Public Utility Commission. The Consumer Advocate has not reviewed each of the above items identified by HECO to determine which are identified as "formal bidding rules" and which are identified as "guidelines." Nonetheless, the Consumer Advocate is aware, for example, that Oklahoma currently has no competitive bidding rules or guidelines, but that the PUC Staff issued a set of "proposed rules" on August 30, 2005. In addition, the Georgia Public Service Commission has what it terms "rules" addressing competitive

bidding processes. Furthermore, the Arizona Corporation Commission approved what it termed a "solicitation process," for what has come to be known as the "Track B" solicitation.

2. There are bidding guidelines in place under which the competitive bidding process is undertaken

RESPONSE: Please see the response to Part 1, above.

3. The competitive bidding process is undertaken based on "best practices".

RESPONSE: Please see the responses to Part 1, above and HECO/CA-FIR-11(a).

- b. For each response to subpart a, explain the basis for your conclusion. Would the CA classify any of these rules or guidelines as "prescriptive"?

RESPONSE: The Consumer Advocate is not clear on what is meant by the term "prescriptive." The Consumer Advocate views both "rules" and "guidelines" as "prescriptive" in the sense that they both offer *ex ante* direction on how to proceed. Presumably, the term "guidelines" would imply a greater measure of discretion in implementation than would the term "rules." However, neither "guidelines" nor "rules" should be immutable.

HECO/CA-FIR-21 **CA Final SOP, Appendix F1, page 2.**

Paragraph 6 states "A commercial contract is the expected result of the competitive bidding processes. A proposed contract should be included with each RFP."

- a. Please describe what the Consumer Advocate means by "proposed contract". As part of the response please provide the level of detail included in the proposed contract, and identify what terms and conditions would not be included in the proposed contract (if any).

RESPONSE: The proposed contract would define the agreement that the Electric Utility Company would be willing to sign as a consequence of the RFP. The Consumer Advocate anticipates that the level of detail contained within the proposed contract, and its terms and conditions, would depend upon the utility's specific circumstances, its resource needs, and the design of the resource solicitation. (Also see the response to HREA/CA-FIR-15.)

- b. Are the terms and conditions included in the "proposed contract" subject to negotiation by the bidders? For example, would financial terms of a contract, such as security requirements, liquidated damages, and similar terms and conditions be subject to negotiations?

RESPONSE: Possibly. Please see the response to Part a, above.

- c. Please provide multiple examples of "proposed contracts" from other utilities' competitive bidding processes.

RESPONSE: The Consumer Advocate has not compiled multiple examples of proposed contracts. The Consumer Advocate anticipates that entities that routinely develop contractual agreements that govern power purchases and other resource procurements would readily

assist the HECO Companies in developing proposed contracts that are appropriate to their specific circumstances, resource needs and RFPs. Furthermore, as HECO is aware, the specific terms of a contract depends on the resource being procured, which is the primary reason for the Company's recognition in the HCR 172 working group that it is not feasible to develop standard form contracts that apply to all resources.

HECO/CA-FIR-22 **CA Final SOP, Appendix F1, page 2.**

Paragraph 8 states "Each utility shall take steps to encourage participation from the full range of prospective bidders." Please identify what the Consumer Advocate means by "take steps to encourage participation". As part of the response identify the specific acts that the Consumer Advocate suggests each utility take.

RESPONSE: The Consumer Advocate recommends that each utility should facilitate and encourage all resource providers that reasonably might offer proposals that would benefit the utility and its ratepayers. The specific actions to be taken would depend on each utility's specific circumstances, its need, and its RFP. They might include steps as simple as making an invitational telephone call to and distributing an RFP directly to a pool of potential bidders identified as highly desirable. Alternately, broad dissemination of an RFP through trade journals may be appropriate.

HECO/CA-FIR-23 **CA Final SOP, Appendix F1, page 3.**

Paragraph 13 provides a number of requirements that must be met if a utility seeks to advance its project.

- a. Please fully explain what the Consumer Advocate means by “well-developed”. As part of the response, please provide the level of detail needed on a project for it to be “well developed”. In addition, please state whether a site needs to be identified in order for a project to be “well developed”, whether the utility needs to have site control (i.e., control of a site for the project) for a project to be “well developed”, and if permits and approvals need to be obtained for a project to be “well developed”.

RESPONSE: The term “well-developed” as used on page 3 of Appendix F1 is intended to communicate that, where an Electric Utility Company seeks to advance its own project proposal over those of other resource developers, the utility’s proposal should be advanced to a degree that is consistent with the utility’s minimum requirements of competing bidders. While some exercise of reasoned judgment may be required to determine what is appropriate to the circumstances, some clear expectations of this nature are important in order to (1) ensure that the utility is taking seriously and acting prudently with respect to its service obligations, and (2) to minimize the risk that a utility might modify its project proposal in later stages of solicitation processes to gain a competitive advantage over bidders. The specific features of a “well-developed” proposal will have to be identified on a case-by-case basis, in keeping with the utility’s specific circumstances, resource need and RFP design.

- b. In order for a bidder to respond to a utility's RFP, does the bidder need to have site control? Does a bidder need to have the permits and approvals obtained?

RESPONSE: The requirements of individual RFPs should be determined after consideration of an Electric Utility Company's specific circumstances and resource need.

HECO/CA-FIR-24 **CA Final SOP, Appendix F1, page 3.**

Paragraph 14 provides a number of requirements that must be met if the utility does not seek to advance its project.

- a. Please fully explain how the utility would “demonstrate that there is no reason to believe that relying on the market to provide the needed resource is prudent”.

RESPONSE: Paragraph 14 does not recommend a requirement that an Electric Utility Company demonstrate that there is no reason to believe that relying on the market to provide the needed resource is prudent. Rather, it recommends that, before determining to not advance its own project, a utility must be prepared to make an affirmative demonstration (presumably based on timely information on market conditions and the suppliers expected to respond to a particular need) that market suppliers can be relied upon to deliver needed resources. The reason for this recommendation is that a utility cannot escape its obligation to serve simply by initiating a competitive solicitation, i.e., when there may be genuine concerns regarding the likelihood that the RFP will produce viable projects to meet the need.

- b. Please provide factual circumstances that would satisfy this requirement.

RESPONSE: Please see the response to Part a, above.

HECO/CA-FIR-25 **CA Final SOP, Appendix F1, page 5.**

Paragraph 20 states “[t]he Commission will resolve disputes that arise among parties during the course of a utility’s competitive bidding process.”

a. Please fully explain the process that the Consumer Advocate recommends the Commission use to resolve disputes.

RESPONSE: The Consumer Advocate recommends that the Commission seek to resolve disputes using the most effective, efficient means at its disposal (as is done with disputes that arise with regards to resource procurements under PURPA). The Consumer Advocate anticipates that these may include (depending on circumstances): (1) requesting the affected parties to attempt to resolve their differences through negotiations; (2) reliance on facilitation and mediation; (3) informal discussions before the Commission; and (4) formal hearing processes.

b. Does the Consumer Advocate’s process include the opportunity for an evidentiary hearing? As part of the response, please provide the Consumer Advocate’s estimate of the length of time it will take for the Commission to resolve the disputes.

RESPONSE: An evidentiary hearing may be warranted at times. The time required to resolve disputes will depend on a range of factors specific to each dispute. Some may be resolved in minutes; others may extend across periods of months.

HECO/CA-FIR-26 **CA Final SOP, Appendix F1, page 5.**

Paragraph 24 states “[t]he Commission shall consider each utility’s performance in implementing competitive bidding in determining the utility’s allowed rate of return in future rate proceedings.”

- a. Please describe how the Consumer Advocate recommends the Commission “consider each utility’s performance in implementing competitive bidding in determining the utility’s allowed rate of return in future rate proceedings”.

RESPONSE: The Consumer Advocate does not have a specific recommendation in this regard.

- b. Does the Consumer Advocate suggest any formula for the Commission to use or a range of guidelines that the Commission should use in this process?

RESPONSE: Please see the response to Part a, above.

HECO/CA-FIR-27 **CA Final SOP, Appendix F1, page 2.**

Paragraph 9 states that “[b]id evaluation should include both price and non-price factors (e.g., dispatch ability, availability, environmental impacts).”

- a. Please fully describe how the “price and non-price factors” should be considered in the bid evaluations. As part of the response please state whether the Consumer Advocate suggests that the “price and non-price factors” be assigned some weighted values.

RESPONSE: The Consumer Advocate does not have a specific recommendation in this regard. The evaluation process for each competitive bidding process should be developed as a function of the issuing utility’s specific circumstances and resource needs.

- b. With respect to the price factors, does the Consumer Advocate believe that all costs to customers associated with the proposal (e.g., transmission costs/interconnection costs, system operational costs, and balance sheets impacts associated with PPA debt obligations) should be included in the evaluation of bids? Please fully explain the response.

RESPONSE: Please see the response to HECO/CA FIR-18(a).